

UNITED STATES BANKRUPTCY COURT  
MIDDLE DISTRICT OF FLORIDA  
TAMPA DIVISION

In re:

Chapter 11

TELTRONICS, INC.,  
  
Debtor.

Case No. 8:11-bk-12150-KRM

Emergency Relief Requested

**DEBTOR'S EMERGENCY MOTION TO EXTEND MILESTONES  
IN FINAL DIP FINANCING ORDER AND TO CONTINUE  
HEARING ON DISCLOSURE STATEMENT**

Teltronics, Inc., as debtor and debtor in possession (the “**Debtor**”), by and through its undersigned attorneys, hereby files this Emergency Motion to Extend Milestones in Final DIP Financing Order and to Continue Hearing on Disclosure Statement (the “**Motion**”). In support of this Motion, the Debtor would show:

**A. Jurisdiction and Venue**

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§157 and 1334. The subject matter of this Motion is a core proceeding pursuant to 28 U.S.C. §157(b). Venue is proper in this district pursuant to 28 U.S.C. §1408.

**B. General Background**

2. On June 27, 2011, the Debtor filed with this Court its Voluntary Petition for relief under Chapter 11 of the Bankruptcy Code.

3. The Debtor continues to operate its business and manage its property as debtor in possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

4. No previous application for the relief sought herein has been made by the Debtor to this Court or any other court.

5. No trustee or examiner has been appointed in this case. On June 30, 2011, the Office of the United States Trustee appointed an Unsecured Creditors Committee (the “**Committee**”) in this case pursuant to Section 1102 of the Bankruptcy Code [Doc. No. 33]. On July 1, 2011, the Office of the United States Trustee filed a notice with the Court amending the membership of the Committee [Doc. No. 37]. On July 5, 2011, the Office of the United States Trustee filed a second notice with the Court further amending the membership of the Committee [Doc. No. 41].

6. The Debtor, a publicly-traded Delaware corporation, designs, installs, develops, manufactures and markets electronic hardware and application software products, and engages in electronic manufacturing services primarily in the telecommunications industry. The Debtor provides telecommunications equipment, converged communications platforms and software solutions to over 20,000 customers worldwide. The Debtor’s primary focus is the design, development, manufacturing, marketing and installation of PBX switching, converged communications applications and infrastructure monitoring solutions. The Debtor also provides electronic manufacturing services for companies in the military, security, industrial, medical and telecommunications sectors.

7. The Debtor has four (4) wholly-owned subsidiaries, Teltronics Limited (UK), Teltronics Technical Services Limited (UK), 36371 Yukon Inc., and TTG Acquisition Corp.

8. For the fiscal year ended December 31, 2010, the Debtor’s consolidated statement of operations reflected total net sales of approximately \$26.2 million, total operating expenses of approximately \$10.9 million, and a net operating loss of approximately \$5.0 million. As of

December 31, 2010, the Debtor's consolidated balance sheet reflected total assets of approximately \$9.1 million and total liabilities of approximately \$19.8 million.

### **C. Specific Background**

9. On September 23, 2011, the Court entered its Final Order Granting Debtor's Emergency Motion for Authority to (A) Obtain Postpetition Financing from Wells Fargo Capital Finance, Inc. and Grant Senior Liens, Superpriority Administrative Expense Status and Adequate Protection Pursuant to 11 U.S.C. §§ 364(c) and (d) and F.R.B.P. 4001, (B) Use Cash Collateral, and (C) Maintain Its Existing Cash Management System [Doc. No. 155] (the "**Final DIP Financing Order**").

10. Attached to the Final DIP Financing Order as Exhibit 1 is Amendment Number Sixteen to Credit Agreement (the "**DIP Financing Amendment**"), which sets forth eleven (11) Strategic Transaction Milestones (the "**Milestones**").

11. In compliance with the Second Milestone set forth in the Final DIP Financing Order, on September 23, 2011, the Debtor filed with this Court its Disclosure Statement for Debtor's Plan of Reorganization under Chapter 11 of Title 11, United States Code [Doc. No. 157] (the "**Disclosure Statement**") and its Plan of Reorganization under Chapter 11 of Title 11, United States Code [Doc. No. 156] (the "**Plan**"). Both the Disclosure Statement and the Plan expressly stated that it was expected these documents would be substantially amended as the Debtor was in the process of marketing the sale of its business at the time of filing these documents.

12. The Milestones also include that a hearing on a bid procedures motion and the Debtor's Disclosure Statement will be conducted by the Court on October 21, 2011 (the "**Disclosure Statement Hearing**") and an order approving the Debtor's Disclosure Statement will be entered on that same date.

13. The DIP Financing Amendment further calls for an abbreviated timeline with respect to confirmation of the Debtor's Plan and completion of a sale process.

14. Late in the afternoon on October 14, 2011, the Debtor received three (3) bids for the purchase of the equity interests in the Debtor.

15. On October 18, 2011, an Objection (the "**Objection**") to the Debtor's Disclosure Statement was filed by Norman R. Dobiesz, FGC Holdings, Ltd. and IHL Investments, LLC (the "**Objecting Parties**"). In their Objection, the Objecting Parties state that one or more of these parties intends to make a proposal for the reorganization of the Debtor which will include, among other things, payment of the secured debt of Wells Fargo Capital Finance, Inc. ("**Wells Fargo**"). Upon information and belief, that proposal would pay the allowed secured claims of Wells Fargo at or about the same time contemplated by the Milestones.

#### **D. Relief Requested and Grounds for Relief**

16. By this Motion, and for the reasons set forth below, the Debtor requests a continuance of (i) the Disclosure Statement Hearing and (ii) the Milestones set forth in the DIP Financing Amendment and made part of the Final DIP Financing Order.

17. As noted above, an Objection to the Disclosure Statement has been filed proposing a structure for the reorganization of the Debtor and several bids have been received for the purchase of the equity interests in the Debtor. Given the current state of this case, including the fact that the Debtor has not been able to negotiate definitive terms with any of the parties involved, it is impossible for the Debtor to amend its Disclosure Statement in advance of the Disclosure Statement Hearing.

18. The Debtor requires additional time to engage in discussions with the Objecting Parties and other constituencies in this matter, including the Committee and Wells Fargo.

19. By way of this Motion, the Debtor requests the Court continue the Disclosure Statement Hearing for an additional thirty (30) days. The Debtor also requests a continuance of the remaining Milestones as such are impracticable given the current state of this case.

20. The extension requested herein will not prejudice any party.

**E. Reason for Request for Emergency Relief**

21. As set forth above, due to causes beyond its control, the Debtor is not able to amend the Disclosure Statement in any meaningful manner in advance of the Disclosure Statement Hearing.

**F. Notice**

22. A copy of this Motion is being sent to all parties set forth on the Local Rule 1007-2 Parties in Interest List for this Chapter 11 case. Accordingly, the Debtor requests that the Court enter an order finding that such notice of this Motion is adequate and sufficient and complies with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules of this Court.

WHEREFORE, the Debtor respectfully requests that this Court enter an order granting this Motion and providing such other and further relief as may be just and proper.

DATED: October 20, 2010

/s/ Charles A. Postler

Charles A. Postler (Florida Bar No. 455318)  
Elena Paras Ketchum (Florida Bar No. 0129267)  
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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct of the foregoing **Debtor's Emergency Motion to Extend Milestones in Final DIP Financing Order and to Continue Hearing on Disclosure Statement** has been furnished by CM/ECF Transmission to the United States Trustee, 501 East Polk Street, Suite 1200, Tampa, Florida 33602, and by U.S. Mail or CM/ECF Transmission to all parties set forth on the Local Rule 1007-2 Parties in Interest List attached hereto on this 20<sup>th</sup> day of October, 2011.

/s/ Charles A. Postler  
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Charles A. Postler

Label Matrix for local noticing  
113A-8  
Case 8:11-bk-12150-KRM  
Middle District of Florida  
Tampa  
Thu Oct 20 16:58:08 EDT 2011

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EXPERTEL COMMUNICATIONS, LTD  
MICHAEL GAVIN, PRESIDENT  
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Gulfcoast Property #1, LLC  
c/o Edwin G. Rice  
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100 S. Ashley Drive, Suite 1300  
Tampa, FL 33602-5309

Official Committee of Unsecured Creditors  
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STARCOM COMM SERVICES, INC.  
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Wells Fargo Capital Finance, Inc.  
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DELCO ELECTRICAL CORP.  
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GM DATA COMMUNICATIONS INC  
MIKE PORTOGHESE, RCDD  
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Glenn Rasmussen Fogarty & Hooker, P.A.  
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SAT UTILITY CONTRACTING LLC  
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Wells Fargo Capital Finance, Inc.  
c/o Donald R. Kirk, Esq.  
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The following recipients may be/have been bypassed for notice due to an undeliverable (u) or duplicate (d) address.

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End of Label Matrix  
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Bypassed recipients 2  
Total 25